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ANNEX

to Commission Decision amending Commission Decision C(2020) 8017 final on the financing of the Annual Action Programme 2020 Part 1 in favour of West Africa as regards the zone benefiting from the action

1) on the first page, in the table, point 2 'Zone benefiting from the action/location' is replaced by the following:

2. Zone benefiting from the action/location	Sub-Saharan African (SSA) Countries, with a special focus on the West Africa region - Member countries of the Economic Community of West African States (ECOWAS) and the Republic of Mauritania

2) on the second page, the table entitled 'Summary' is replaced by the following:

SUMMARY

'In September 2017, the European External Investment Plan (EIP)[1] was launched to promote inclusive growth, job creation and sustainable development and, in this way, boost economic development and growth while tackling also some of the root causes of irregular migration. The main financial arm of the EIP is the new European Fund for Sustainable Development (EFSD), which comprises funding for blending operations and a new innovative financing instrument, the EFSD guarantee.

The specific decision that amends the Commission C(2020) 8017 of 13.11.2020, extends the geographical scope of the specific action from West Africa to the whole sub–Saharan African region. Having correspondence between geographies covered by the EFSD Guarantee and the Technical Assistance (TA) is key to the successful implementation of the EFSD Proposed Investment Programmes. The proposed extension of the Decision's geographic scope is therefore aimed at establishing this correspondence. It is in line with the geographic scope of the EFSD guarantee (European Neighbourhood and Sub-Saharan Africa).

West Africa is already a top performing region in blending operations. Since 2017 under the African Investment Platform, the EU has approved 98 blending operations for almost EUR 2.2 billion, which have leveraged about EUR 19.6 billion in investments. West Africa has also been identified as a big potential beneficiary for EFSD guarantee that aims to target high risk perceived financial operations in more fragile and risky countries.

In 2018 and 2019 the Commission adopted two Decisions[2] confirming the implementing partners and required amounts for 28 Guarantee portfolios of maximum EUR 1 540 000 000 and Technical Assistance of maximum amount

[1] COM(2016) 581 final of 14.9.2016

[2] C(2018) 8804 and C(2019) 2780

of EUR 142 600 000. The Decisions defined the type of activities that the eligible entities may finance and specified the regions and sectors targeted and the type of investment supported.

The main objective of this action is to foster sustainable economic growth and jobs creation through support of private sector development and improved (micro), small and medium enterprises ((M)SMEs) access to finance from capital markets. This objective will be reached by contributing to the Technical Assistance component of the individual EFSD Guarantee agreements. In that respect, it is important to extend the geographical scope of this action from West Africa to all sub-Saharan African countries in order to allow implementing partners deploying effectively the EFSD PIPs they were awarded. This is hampered by the discrepancy between the geographical scope of the signed EFSD guarantee agreements (GA) and of the linked TA contribution agreements (e.g. guarantee covering all sub-Saharan Africa, TA only covering ECOWAS countries). To have TA activities truly instrumental to the EFSD GA, it is important the whole sub-Saharan Africa region to be eligible both under a guarantee and the related TA programme.

This contribution will allow West Africa as part of the sub-Saharan Africa region to benefit from TA support in the framework of the EFSD guarantees. The innovative character of the guarantees makes Technical Assistance necessary in order to develop a pipeline of transactions, as well as facilitate the roll-out of the financial products while ensuring the expected development impact. The TA accompanying the EFSD Guarantee projects needs to cover not only West Africa countries but the whole region of sub-Saharan Africa, where and when it is fundamental, in order to effectively and efficiently serve to support the end borrowers and financial intermediaries in the structuring of the financial operations that they will undertake under the EFSD Guarantee.'

3) in section 1.5 Problem analysis/priority areas for support, the last paragraph is replaced by the following:

'The EFSD guarantees and related TA support, covering the whole SSA region, will also enable West African countries to build and develop a strong competitive advantage. TA support is indeed conceived to enable the possibility to build and strengthen capacities of local financial institutions, and final beneficiaries in the private sector, to increase financial inclusion in all SSA, West Africa included. This will help addressing the region's common critical challenges and obstacles.';

4) in section 3.2 Complementarity, synergy and donor coordination, the first paragraph is replaced by the following:

'This action is critical to complement the efforts already deployed under the EIP, namely the EFSD guarantees and blending projects in the region. Guiding principles of the EIP are:
(i) the EU, Member States, third countries, public financial institutions and the private sector, should all contribute, (ii) complementarity and co-operation with the work of the public Financial Institutions and contributors in the target region will be a key element of this overall framework in order to ensure maximised results and impact, (iii) improve effectiveness and impact, maximise synergies, and attract private and institutional investors. This action, as a contributing element to EIP, will also adhere to these principles, where applicable. The Technical Assistance will be implemented not only in West Africa but also in other countries of sub-Saharan Africa, when it is needed, in close coordination with multilateral and national European Financial Institutions as well as non-European Financial Institutions. By enabling joint operations, the projects financed will generate greater coherence and better coordination between donors, in line with the Paris Declaration[3] principles and in compliance with the EU Financial

[3] At the Second High Level Forum on Aid Effectiveness (2005), coordinated through the OECD, the 'Paris Declaration on aid effectiveness' was endorsed. It is formulated around five principles: Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability.

Regulation. Member States' resources will reinforce the EU's effort. Co-financing with non-EU financial institutions will further improve donor coordination and harmonisation.';

5) in section 4.2 Intervention Logic, the first paragraph is replaced by the following:

'The innovative character of the EFSD Guarantees makes Technical Assistance (TA) necessary in order to develop a pipeline of transactions, which would fit a variety of instruments proposed under the EFSD. The projects under the EFSD Guarantee are intended for investments in countries where private investors are reluctant to engage due to security and/or economic reasons. This approach brings additionality and helps partner countries achieve the SDGs, as also set out in the EFSD Regulation. However, investing in countries perceived as riskier can be challenging to partner financial institutions (and their financial intermediaries). Therefore, if TA is not provided in the various sub-Saharan African countries, where and when it is essential, it would make it impossible for the partner financial institutions to implement the investment part of the instrument i.e. the guarantee itself. TA is essential to prepare an appropriate pipeline in additional sub-Saharan African countries apart from those of West Africa and deploy the instruments on the ground. The EFSD Guarantee aims to constitute guarantee capacity for credit enhancement that will ultimately benefit the final investments and allow risk sharing with other investors, notably private actors, ensuring the appropriate level of concessionality, depending on the investment needs. It will leverage additional financing, in particular from the private sector, by addressing the key factors that enable crowding-in private investment.'

6) in section 4.3 Mainstreaming, the first paragraph is replaced by the following:

'Partner countries, either in West Africa or in the sub-Saharan African region as a whole, and eligible financial institutions will ensure that all projects financed with EU resources respect EU principles in terms of environmental and social impact (e.g. gender issues, indigenous people rights, etc.), public procurement, state aid, equal opportunities and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures as well as gender equality, good governance and human rights.'.

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https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm